Deficit of States due to implementations of recommendations of Fifth Pay Commission

3132. SHRI W. ANGOU SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether Government have given any financial assistance to the States where the Fifth Pay Commission's recommendations have been implemented;

(b) whether it is a fact that the deficit in the financial condition of the North-East States are mainly due to payment of Fifth Pay Commission's recommendations' pay to the employees; and

(c) the measures taken to redress the existing deficit?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) State Governments have discretion in the matter of determining the salary of their employees. It is not mandatory for them to adopt the Central Pay Scales. It is expected that State Governments which have implemented Fifth Pay Commission's award for their employees, would have taken into account the financial implications. Government of India has not made any commitment to meet the increased expenditure incurred on payment of salaries to the State Government employees. However, the Eleventh Finance Commission had considered the issue of implementation of higher pay scales as projected by the State Governments within its terms of reference, while making its recommendations on devolution and grants to States. These recommendations have already been accepted by the Central Government.

(c) During the year 1999-2000, Government of India gave Extended Ways and Means and Additional Open Market Borrowings as support to those States, which had finalised acceptable and monitorable fiscal reform programmes. The State Governments have been advised to draw up a Medium Term Fiscal Reform Policy consistent with Eleventh Finance Commission's recommendations and guidelines thereunder to reduce the fiscal deficit over the next four years.